ASX ANNOUNCEMENT 27TH MAY 2020

STRATEGIC ALLIANCE FORMED TO EXPLORE THE COATES MAFIC INTRUSION FOR NICKEL SULPHIDES

Australian Vanadium Ltd, Lithium Australia NL and Mercator Metals Pty Ltd agree to collaborate to advance exploration for nickel, base metals, gold and platinum group minerals.

KEY POINTS

- **Lithium Australia NL (ASX:LIT) and Mercator Metals Pty Ltd hold adjoining tenements to AVL's Coates Project.**
- **Combined contiguous tenement package covers 59km^2 covering the entire Coates Mafic Intrusive Complex.**
- **Letter of Understanding signed by the three parties which envisages attracting a senior partner for the project.**
- **Tenements open to either joint venture development or combined sale.**
- **The Coates Project vanadium deposit is located on a southern extension of the mafic-ultramafic sequence, host to the recent nickel-copper-platinum group elements (PGE) discovery at Julimar project by Chalice Gold Mines (ASX:CHN).**

Australian Vanadium Limited (ASX:AVL, "the Company" or "AVL") announces that with Lithium Australia NL (ASX: LIT) and private company Mercator Metals Pty Ltd, it has created a strategic alliance to collaboratively advance exploration activities targeting Ni-Cu-PGE mineralisation at the Coates Mafic Intrusive Complex.

The companies' tenements adjoin each other and cover the mafic-ultramafic rock sequences containing the Coates Gabbro. The combined tenements provide a continuity for efficient exploration (see Figures 1 and 2).

Recent significant discoveries of nickel-copper-PGE mineralisation at the Julimar Project by Chalice Gold Mines have highlighted the potential for further discoveries in the region, with the Julimar Project situated 20km NNW of AVL's Coates tenement. The Coates Project is located in the Shire of Northam approximately 60km east of Perth, in similar rocks of the Jimperding Metamorphic Belt (Figure 1).

Lithium Australia's Managing Director, Adrian Griffin, said, "The recent discovery of significant nickel-copper-PGE mineralisation at the Julimar Project by Chalice Gold Mines highlights the potential for additional discoveries in similar geological environments and the Coates Mafic Intrusion, located only 29km away, provides a tremendous opportunity."

Australian Vanadium's Managing Director, Vincent Algar, added, "The discovery of nickel-copper-PGE at the Julimar Project has generated a lot of interest in the Western Yilgarn, and the strategic alliance announced today is intended to streamline exploration processes through seamless and efficient use of personnel and capital."

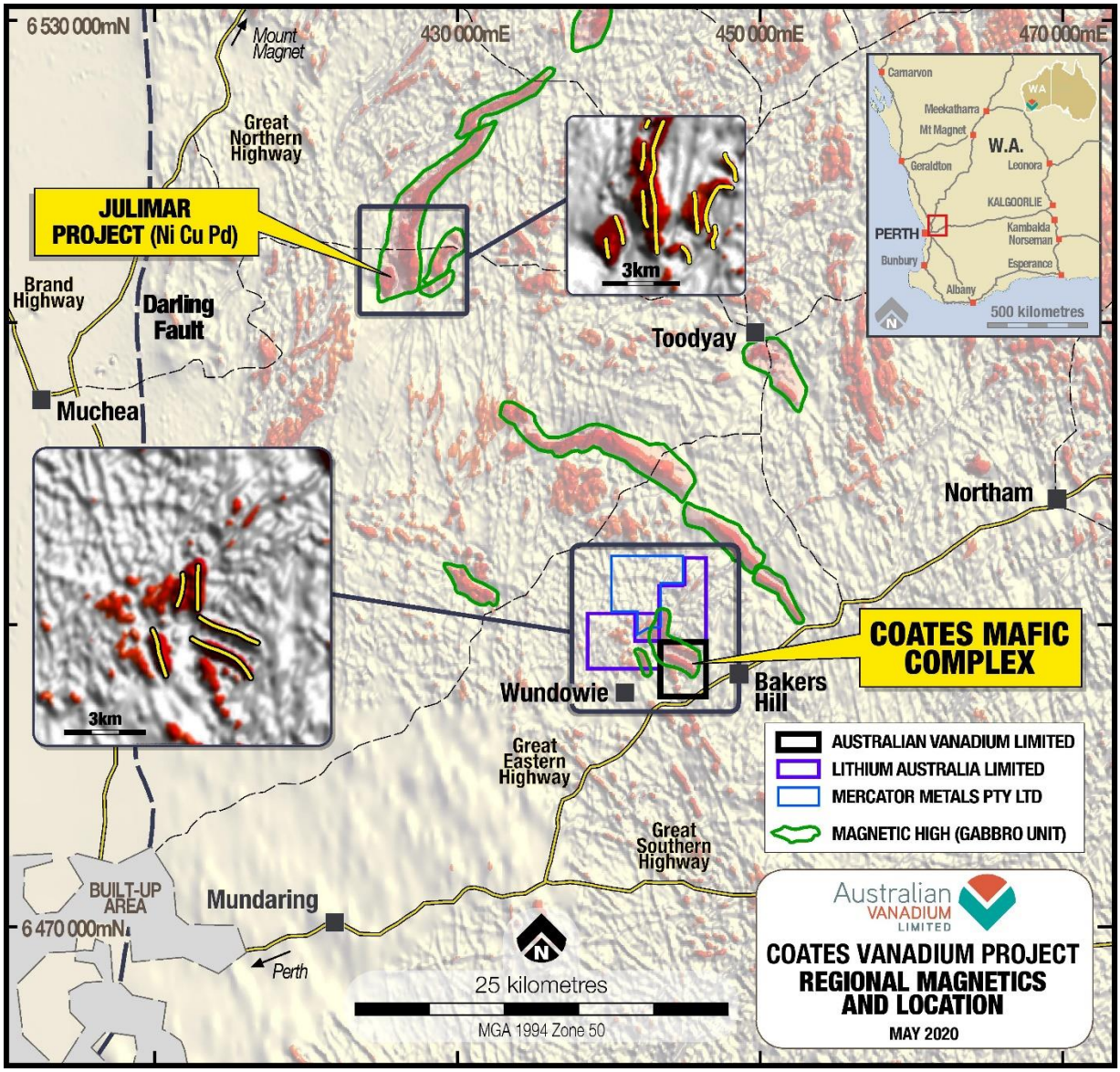

Figure 1 **- Location of Coates Project alongside known Base Metal, VTM and PGE Projects**

Platinum Group Elements, among the rarest metals on earth, comprise ruthenium, rhodium, palladium, osmium, iridium, and platinum which are elements with high melting points, corrosion resistance and catalytic qualities.

The adjoining tenements combined cover 59km^2 on a southern extension of a similar mafic-ultramafic sequence, host to the recent nickel-copper-platinum group elements (PGE) discovery at the Julimar Project by Chalice Gold Mines.

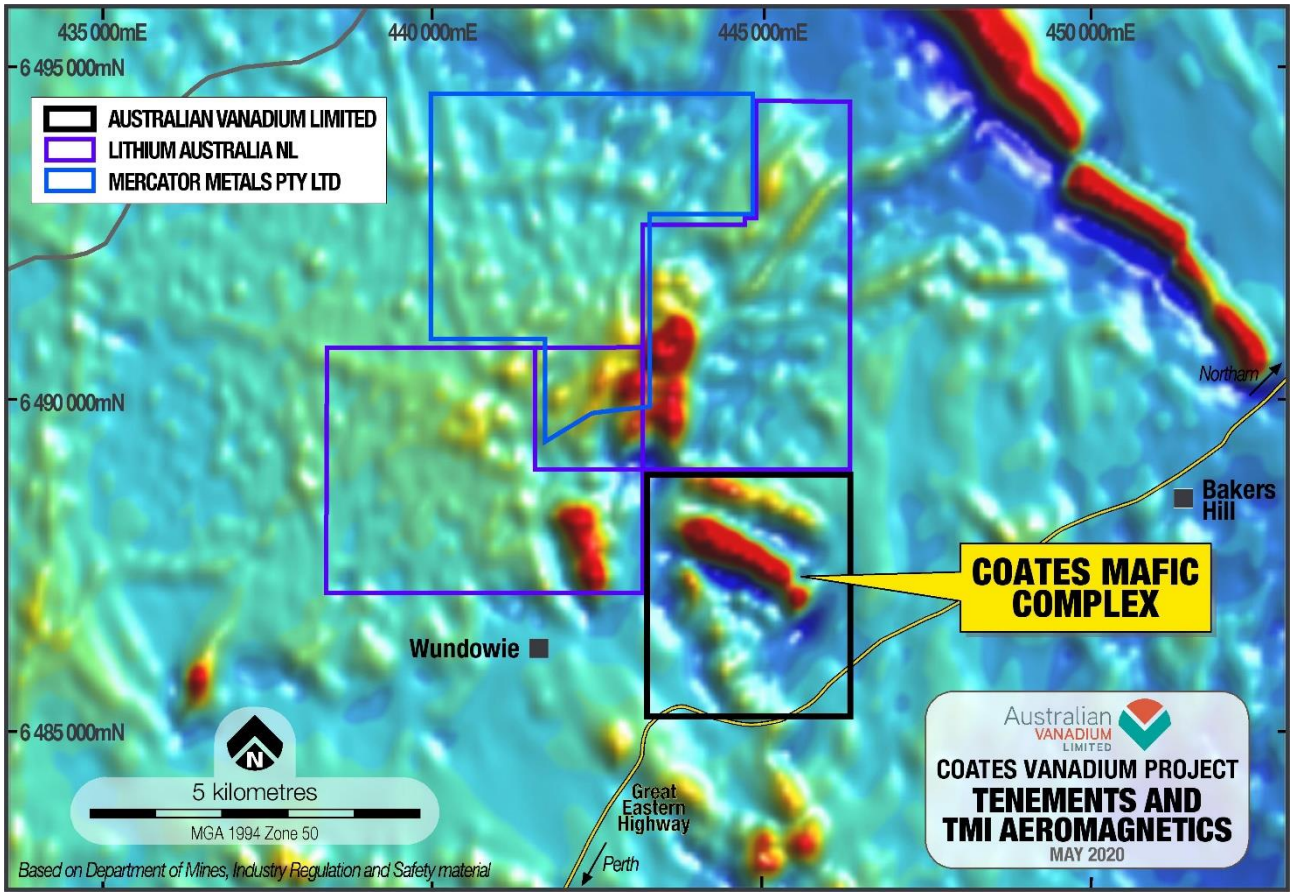

Figure 2 **- Tenements and TMI Aeromagnetic Targets**

Key Conditions of the Strategic Alliance

- Australian Vanadium Limited holds the registered title to E70/4924-I.
- Lithium Australia NL holds the registered title to E70/5198 and is the sole applicant for E70/5437;
- Mercator Metals Pty Ltd holds the registered title to R70/59; and
- The Parties consider that exploring (and if warranted, mining) the Tenements jointly may have benefits. This does not preclude an offer of the Tenements for joint venture or sale. In this scenario:
- Each Party will generally be responsible for its own costs, including but not limited to, rents and rates, and documenting a transaction that results from this letter;
- Each Party will use its best endeavours to keep its tenement in Good Standing for the duration of any Agreement resulting from the letter;

- Where a cost is for the benefit of the Parties, which might include (without limitation) the development of a joint dataset; mobilisation costs for exploration activity; marketing activities and third-party Joint Venture agreement documentation, the costs will be borne equitably.
- At any time a Party, acting reasonably, may terminate its participation under the Letter of Understanding with 30 days written notice, notwithstanding the settlement of unpaid contributions to agreed work programmes that have entered into.

Planned Exploration

The collaboration agreement will commence with compilation and data sharing of historical information that can assist in targeting potential hosts for base metal-PGE mineralisation. The objective is the construction and maintenance of a single modern dataset for use with digital modelling systems.

Following this initial phase, a laterite sampling and geological mapping field exercise will be completed to develop an up to date geochemical and geological map.

The Companies are evaluating use of ground EM geophysical surveys to delineate any sulphide-rich horizons at the Coates Project prior to drilling.

The expected timeframe for the initial base metal exploration is dependent on permitting, but it is anticipated that data compilation and geochemical sampling can be completed in the current quarter. EM and drilling will take place in the September quarter.

The Coates Gabbro is about 2.3 km long (interpreted from the regional aeromagnetic signature) and up to 600m wide, with a parallel unit to the north that could be a repeat of the Coates Gabbro. Future evaluations of the Coates Project geology will include studies into any affinity of the Coates Gabbro with the recently identified Gonneville Intrusive that hosts nickel and PGE mineralisation at CHN's Julimar Project. Investigating the potential for base metal and PGE mineralisation was recommended in future work programs by Garrick Agnew Pty Ltd at the Coates Deposit in 1971.[1]

The Coates vanadium project is not the Company's highest priority, with its major focus remaining the development of world-class Australian Vanadium Project near Meekatharra.

For further information, please contact:

Vincent Algar, Managing Director +61 8 9321 5594

This announcement has been approved in accordance with the Company's published continuous disclosure policy and has been approved by the Board.

[1] See ASX announcement dated 1st May 2020 *'Palladium Nickel Copper Potential at Coates Project'*

ABOUT AUSTRALIAN VANADIUM

AVL is an Australian owned resource company focused on production of high value vanadium products in Australia. AVL is seeking to offer investors a unique exposure to all aspects of the vanadium value chain – from resource through to steel and energy storage opportunities. AVL is advancing the development of its world-class Australian Vanadium Project and intends to produce a value added vanadium product in Australia prior to sale to steel, battery and specialty chemical customers.

The Australian Vanadium Project is currently one of the highest-grade vanadium projects being advanced globally, with 208.2Mt at 0.74% vanadium pentoxide (V_2O_5) and containing a high-grade zone of 87.9Mt at 1.06% V_2O_5 reported in compliance with the JORC Code 2012 (see ASX announcement dated 4th March 2020 '*Total Vanadium Resource at The Australian Vanadium Project Rises to 208 Million Tonnes*').

The Australian Federal Government awarded the Australian Vanadium Project 'Major Project Status' in September 2019. The Western Australian State Government awarded the Australian Vanadium Project 'Lead Agency Status' in April 2020.

The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

AVL has developed a local production capability for high-purity vanadium electrolyte, which forms a key component of vanadium redox flow batteries (VRFB). AVL, through its 100% owned subsidiary VSUN Energy Pty Ltd, is actively marketing VRFB in Australia.

ABOUT LITHIUM AUSTRALIA

Lithium Australia aims to ensure an ethical and sustainable supply of energy metals to the battery industry (enhancing energy security in the process) by creating a circular battery economy. The recycling of spent alkaline and lithium-ion batteries to new is intrinsic to this plan. While rationalising its portfolio of lithium projects/alliances, the Company continues with R&D on its proprietary extraction processes for the conversion of all lithium silicates (including mine waste), and of unused fines from spodumene processing, to lithium chemicals. From those chemicals, Lithium Australia plans to produce advanced components for the battery industry globally, and for stationary energy

storage systems within Australia. By uniting resources and innovation, the Company seeks to vertically integrate lithium recycling, extraction and processing.

COMPETENT PERSON STATEMENT – EXPLORATION RESULTS

The information in this statement that relates to Exploration Results is based on information compiled by independent consulting geologist Brian Davis BSc DipEd who is a Member of The Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists and is employed by Geologica Pty Ltd.

Brian Davis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Davis consents to the inclusion in the report of the matters based on the information made available to him, in the form and context in which it appears.

FORWARD LOOKING STATEMENTS

This announcement may contain certain "forward looking statements" which may not have been based solely on historical facts, but rather may be based on the Company's current expectations about future events and results. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed, projected or implied by such forward looking statements. Such risks include, but are not limited to Resource risk, metal price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, as well as political and operational risks in the countries and states in which we sell our product to, and government regulation and judicial outcomes. For more detailed discussion of such risks and other factors, see the Company's Annual Reports, as well as the Company's other filings. Readers should not place undue reliance on forward looking information. The Company does not undertake any obligation to release publicly any revisions to any "forward looking statement" to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.